

OFFICE OF
DISSEMINATION
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November 7, 2000

Manager, Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
1700 G Street, NW
Washington, D.C. 20552

RE: Office of Thrift Supervision, Repurchases of Stock by Recently Converted Savings Associations, Mutual Holding Company Dividend Waivers, Gramm-Leach-Bliley Act Changes; 12 CFR Parts 563b and 575; 65 Federal Register 43088. July 12, 2000; Attention Docket No. 2000-56.

Office of Thrift Supervision; Mutual Savings Associations, Mutual Holding Company Reorganizations, and Conversions From Mutual to Stock Form; 12 CFR Parts 563b and 575; 65 Federal Register 43092, July 12, 2000; Attention Docket No. 2000-57

Dear Sir or Madam:

I would like to take this opportunity to comment on the Notice of Proposed Rulemaking concerning Mutual Savings Associations, Mutual Holding Company Reorganizations, and Conversions from Mutual to Stock Form ("Proposed Rule") and the interim final rulemaking on Mutual Holding Companies and Dividend Repurchases ("Interim Final Rule") issued by the Office of Thrift Supervision ("OTS") on July 12, 2000.

While Merrimack County Savings Bank is a state chartered mutual savings bank insured by the FDIC, I believe it is important to support and comment upon regulatory efforts to address mutual concerns. In turn, I recognize there is the possibility that FDIC may look upon these proposals for possible direction on its treatment of mutuals.

The Proposed and Interim Final Ruling

I support the attempt to rewrite the mutual-to-stock regulations in plain English. Any such effort to simplify this process is worthwhile. And, while I understand and appreciate the role of a business plan, (this should be a good business practice in any case) I urge you to be sensitive to timing issues in your "non-objection" process. From those I know who have converted, this (timing) issue can be very important to a successful conversion.

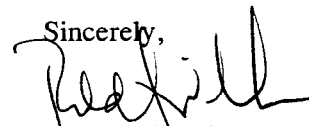
You also make reference to guidance which will be coming regarding capitalization, compensation and analysis of mutual institutions. Admittedly, it is encouraging to learn of regulators making efforts to recognize the distinctions of the mutual. I express concern however, that caution be

used so as not to establish guidelines which may be unintentionally restrictive. For instance, in the area of management and trustee compensation, mutuals and stock institutions in the same marketplace compete in the same talent pool for leadership. I urge caution in establishing distinctions between what or how we compensate, unless they address structural hindrances (e.g. no stock options).

In an attempt to be more constructive, let me attempt to be more specific in my remarks:

- Given the proposed pre-approval process in mutual-to-stock conversions, please be as clear and flexible as possible;
- With regard to the business plan for converting mutuals, it sounds as if expectations of capital deployment and "return-on-equity" may be unrealistic. While these factors are important and should be considered in a conversion process, be careful not to set standards too high. This could work against the industry by forcing banks to stretch for a "bar-too-high", and consequently jeopardize safety and soundness;
- Specific guidance/authority for the formation of charitable foundations with conversion proceeds should be provided. I believe it should also be eligible for CRA credit;
- I encourage as much guidance as possible with regard to Mutual Holding Companies: I have considered this alternative for our bank and the lack of clarity can be discouraging. For instance, may, and if so, how, might mutuals be combined organizationally? OTS proposes a limitation of 50% of conversion proceeds at the holding company level. This seems arbitrary and potentially restrictive depending on the MHC's plans. Would it not make more sense to have a preliminary business-plan for the conversion discuss strategic objectives. Then, a decision as to how much capital should be retained at the Holding Company level could be made. Perhaps of more concern to you, might an evaluation of the bank's soundness be made, and then a determination of how much capital must be retained in it.

I hope these thoughts have been helpful. Again, as a long time mutual savings banker, the OTS's efforts to recognize, encourage and support the mutual form is appreciated.

Sincerely,

Ronald A. Wilbur
President

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